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2 UNITED STATES BANKRUPTCY COURT
3 SOUTHERN DISTRICT OF NEW YORK
4 -----x Case No.
5 In re 01-16034(AJG)
6 ENRON CREDITORS RECOVERY CORP.,
7 et al., New York, New York
8 Reorganized Debtors. November 8, 2007
9 -----x 10:01 a.m.
11
12 DIGITALLY RECORDED PROCEEDINGS
13 (Proceedings -- Entire Day)
14 Motion for an Order Approving Settlement Agreement Among
15 Certain Enron Parties, the Trial Staff of the Federal Energy
16 Regulatory Commission and Public Utility District No. 1,
17 Snohomish County, Washington.

18 B E F O R E:

19 THE HONORABLE ARTHUR J. GONZALEZ
20 United States Bankruptcy Judge

21 A P P E A R A N C E S:

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34 DEBORAH HUNTSMAN, Court Reporter
35 (212) 608-9053 (718) 774-2551 (917) 723-9898
36 Proceedings Recorded by Electronic Sound Recording,
37 Transcript Produced by Court Reporter

39 Proceedings

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41 JUDGE GONZALEZ: Please be seated.

42 All right. Proceed.

3 MR. FLECK: Good morning, Your Honor. Evan Fleck of
4 Cadwalader, Wickersham & Taft, Special Counsel to the
5 Reorganized Debtors.

6 The first and I believe the only matter on this
7 morning's calendar in the Enron case is a motion by certain of
8 the Enron Debtors to approve a Settlement Agreement and Mutual
9 Release pursuant to Rule 9019 of the Federal Rules of
10 Bankruptcy Procedure among certain of the Enron Debtors,
11 certain Enron non-debtor entities, the Public Utility District
12 No. 1 of Snohomish, Washington, and Trial Staff of the Federal
13 Energy Regulatory Commission.

14 Your Honor, as this Court is aware, various of the
15 parties to the proposed Settlement Agreement that is before
16 the Court this morning and that I should mention was also
17 attached to the Settlement Agreement as Exhibit A are engaged
18 in or interested in complex and disputed proceedings,
19 including, but not limited to proceedings before the FERC,
20 proceedings before this Court, adversary proceedings,
21 arbitration, appellate proceedings, litigation, as well as
22 investigations regarding numerous issues and allegations
23 arising from events in the western electricity, natural gas,
24 and associated markets, as well as that certain Master Power
25 Purchase and Sale Agreement between Debtor EPMI and Snohomish

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1 dated January 26, 2001.

2 Your Honor, the Debtors are quite pleased to present
3 this settlement to the Court this morning as it represents a
4 comprehensive and significant resolution of various disputed
5 matters among the parties. As more fully set forth in the
6 Debtors' motion as well as in the Settlement Agreement, the
7 proposed settlement resolves disputes and other matters among

8 the parties with respect to the claims that were filed by
9 Snohomish in the Enron bankruptcy cases. They are enumerated
10 as claim numbers 12784 and 12785. The settlement also
11 resolves all claims and counterclaims and/or defenses asserted
12 by Snohomish in the various proceedings. It also resolves the
13 claims and defenses of the Debtors against Snohomish in the
14 various proceedings, including any claims for a termination
15 payment or power delivery under the Master Power Agreement
16 that I mentioned earlier, Your Honor.

17 The Settlement Agreement contemplates significant and
18 valuable monetary consideration as well as non-monetary
19 consideration. Among other things, the Debtors shall be paid
20 a settlement amount of \$18 million from Snohomish and further
21 under the Settlement Agreement the Trial Staff will allocate
22 and assign all of its ownership, right, title and interest in
23 the \$8.4 million balance of the Class 6 General Unsecured
24 Claim, which was allowed against Debtor EPMI in favor of the
25 Trial Staff to Snohomish.

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1 Simultaneously, with that transfer Snohomish shall
2 irrevocably transfer and assign all of its ownership, right,
3 and title in that claim to EPMI. Your Honor, the proposed
4 settlement is also subject to approval by the FERC which is
5 pending. Also as set forth in the Settlement Agreement the
6 non-monetary consideration include certain significant and
7 valuable releases that are being given by the parties and
8 withdrawals with prejudice from certain proceedings.

9 Your Honor, the Debtors believe that the proposed
10 settlement is in the best interests of the estate. It
11 resolves significant litigation, it results in a significant

12 monetary benefit to the estates, it also, as I mentioned, ends
13 with finality and provides a comprehensive resolution of the
14 numerous proceedings to which the Enron parties, the Debtors
15 and the Non-Debtors, as well as the Trial Staff and Snohomish
16 are parties and have been engaged for a significant period of
17 time. No objections have been interposed with respect to the
18 relief requested, and, therefore, the Debtors respectfully
19 request that the Court approve the relief requested.

20 I have an order and I am prepared to hand it up to the
21 Court.

22 JUDGE GONZALEZ: Does anyone else wish to be heard?

23 (Whereupon, no response was heard.)

24 JUDGE GONZALEZ: No further comment being heard, based
25 upon the pleadings as filed and the representations made on

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1 the record and no opposition having been interposed, I will
2 grant the relief requested. You may hand up the order.

3 MR. FLECK: Thank you, Your Honor.

4 JUDGE GONZALEZ: You are welcome. I have signed and
5 dated the order. That concludes this morning's hearing.

6 (Time noted: 10:07 a.m.)

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1 CERTIFICATE

2 STATE OF NEW YORK) : SS:
3 COUNTY OF NEW YORK)

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5 I, DEBORAH HUNTSMAN, a Shorthand Reporter and
6 Notary Public within and for the State of New York, do hereby
7 certify:

8 That the within is a true and accurate
9 transcript from the official electronic sound recording of the
10 proceedings held on the 8th day of November, 2007.

11 I further certify that I am not related by blood
12 or marriage to any of the parties and that I am not interested
13 in the outcome of this matter.

14 IN WITNESS WHEREOF, I have hereunto set my hand
15 this 8th day of November, 2007.

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DEBORAH HUNTSMAN
DEBORAH HUNTSMAN

20 PROOFREAD BY HALLIE CANTOR

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